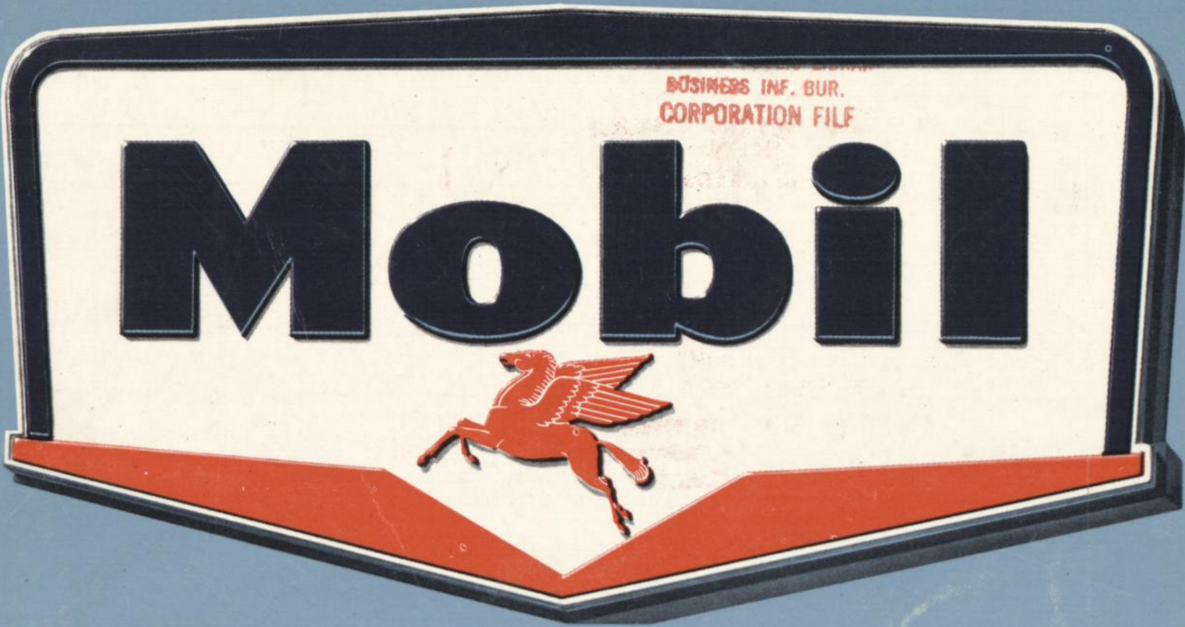

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CORPORATION FILE

1964 ANNUAL REPORT

SOCONY MOBIL OIL COMPANY, INC.

DIRECTORS

George P. Baker
Vernon A. Bellman
Arthur V. Danner
George F. James
Paul V. Keyser, Jr.
Grayson L. Kirk
Lewis A. Lapham
Fred H. Moore
Charles G. Mortimer
Albert L. Nickerson
Herman J. Schmidt
William P. Tavoulareas
Rawleigh Warner, Jr.
Albert L. Williams

OFFICERS

Albert L. Nickerson, *Chairman of the Board of Directors; Chairman of the Executive Committee*
Rawleigh Warner, Jr., *President; Vice Chairman of the Executive Committee*
Vernon A. Bellman, *Vice President*
Dayton H. Clewell, *Senior Vice President*
Arthur V. Danner, *Senior Vice President*
John D. Fennebresque, *Vice President*
George F. James, *Senior Vice President*
Paul V. Keyser, Jr., *Executive Vice President*
Fred H. Moore, *Executive Vice President*
Henry C. Moses, *Vice President*
Theodore W. Nelson, *Senior Vice President*
James Q. Riordan, *Vice President*
Herman J. Schmidt, *Executive Vice President*
William P. Tavoulareas, *Senior Vice President*
Paul Wollstadt, *Senior Vice President*
Arthur M. Sherwood, *Secretary*
Edward P. Fischer, *Treasurer*
Max S. Simpson, *Controller*
John J. Scott, *General Counsel*

TRANSFER AGENTS

The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N. Y. 10015 ■ The Bank of California, National Association, 400 California Street, San Francisco, Calif. 94120 ■ Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Ill. 60690 ■ Canada Permanent Trust Company, 253 Bay Street, Toronto 1, Ontario, Canada.

REGISTRARS

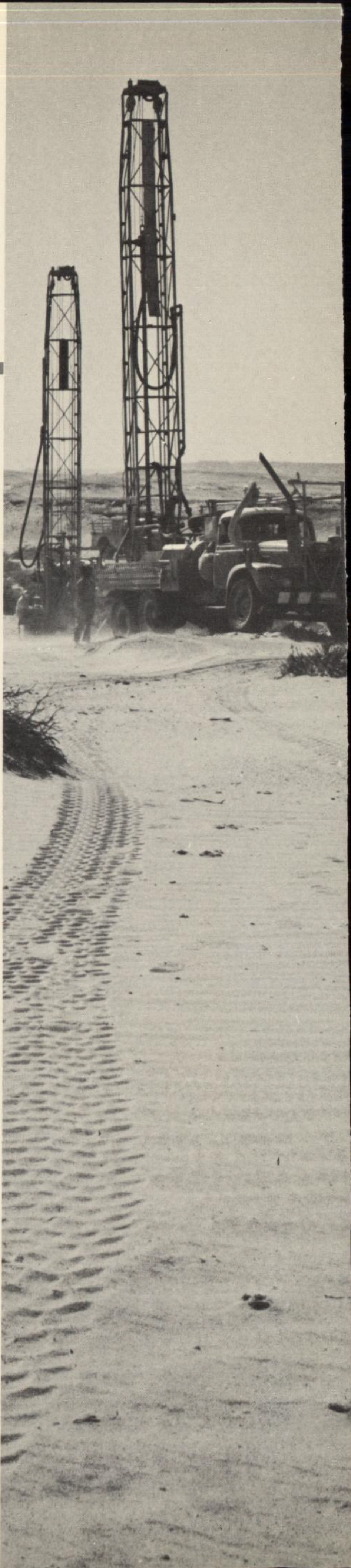
Bankers Trust Company, New York, N. Y. ■ Wells Fargo Bank, San Francisco, Calif. ■ La Salle National Bank, Chicago, Ill. ■ Montreal Trust Company, Toronto, Ont., Canada.

AUDITORS

Arthur Young & Company, New York, New York.

ANNUAL MEETING

The 1965 Annual Meeting of Shareholders will be held on Tuesday, May 18, at 10:30 a.m. in the Grand Ballroom of the Hotel Commodore, Lexington Avenue and 42nd Street, New York City—diagonally across the street from the Socony Mobil Building. We hope you can attend.



Mobil exploration continues in Libya, one of the company's important new profit sources.

1964 ANNUAL REPORT

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THE YEAR IN BRIEF

	1964	1963
FINANCIAL		
Revenues	$5,078,641,000	$4,914,566,000
Net income	$294,160,000	$271,852,000
Per share	$5.79	$5.44
Cash dividends on Socony Mobil capital stock	$141,104,000	$126,845,000
Per share	$2.80	$2.60
Shareholders' equity (end of year)	$3,324,729,000	$3,156,558,000
Per share	$65.42	$63.13
Capital and exploration outlays	$460,207,000	$396,640,000
Total assets (end of year)	$4,879,472,000	$4,659,543,000
SHAREHOLDERS AND EMPLOYEES (year end)		
Number of shareholders	211,000	212,200
Number of shares outstanding	50,825,000	50,000,000
Number of employees	80,000	79,700
OPERATING† (barrels daily, except natural gas)		
Gross crude oil production	1,037,000	935,000
Natural gas production (thousands of cubic feet daily)	1,924,000	1,588,000
Refinery crude runs	1,282,000	1,166,000
Petroleum product sales	1,404,000	1,328,000

†Includes interest in non-consolidated companies.

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Socony Mobil," "Mobil," "company," "we," and "our" sometimes for the parent company and all such divisions, subsidiaries, and affiliates collectively and sometimes for one or more of them.

SOCONY MOBIL OIL COMPANY, INC., 150 E. 42nd ST., NEW YORK, N.Y. 10017

Albert L. Nickerson, Chairman (left), and Rawleigh Warner, Jr., new President of Socony Mobil.

TO OUR SHAREHOLDERS

Socony Mobil's net income in 1964 was $294.2 million, or $5.79 a share, compared with $271.9 million, or $5.44 a share, in 1963. The 1964 earnings were a record for the company, both in total amount and per share.

Net income for 1964 includes the full-year earnings of Northern Natural Gas Producing Company, which became part of the Mobil organization during the year, and reflects the shares of Socony Mobil stock issued in that transaction.

In January, 1964, the Board of Directors increased the quarterly dividend from 60 cents to 65 cents a share. Cash dividends paid during the year rose to $2.80 a share, including four quarterly dividends of 65 cents each and an extra dividend of 20 cents paid in December.

In January of this year, the Board increased the quarterly dividend for the third consecutive year, this time to 70 cents a share.

Five years ago we told our shareholders, through the Annual Report and other communications, that we were determined to make Socony Mobil a stronger company and a more effective competitor in every way—through reorganization, cost-reduction, and more effective investment planning.

In the five years through 1964, our earnings rose by 79% while our revenues were rising 44%. Cash dividends paid increased from $2.00 a share to $2.80. Total dividends paid rose by 45% to $141.1 million.

Total revenues exceeded $5 billion last year, for the first time.

Worldwide gross crude oil production went up from 749,000 barrels daily in 1959 to 1,037,000 in 1964, an increase of 38%. Natural gas production, mainly in the United States and Canada, virtually doubled during this period, to nearly 2 billion cubic feet a day.

Refinery runs worldwide increased by 343,000 barrels a day, or 37%, in these five years. Of this increase, 252,000 barrels a day took place overseas.

Petroleum products sales went up by 330,000 barrels daily, or 31%, in this period; our overseas sales grew by 61%, from 419,000 to 673,000 barrels a day, with most of the growth in Western Europe and Japan.

We established a chemical company that now has assets in excess of $300 million and annual sales of the same order of magnitude. We have a strong base on which to build further in four major segments of the chemical business worldwide—paints and industrial coatings, agricultural chemicals, plastics, and petroleum chemicals.

As a result of all this, and as an index of increased profitability, our rate of return on shareholders' average equity rose from 6.6% to 9.0% in the five years through 1964. This figure is still lower than it should be, and we are making strong efforts for further improvement.

Probably the most significant development in the company in 1964 was the improvement in our crude oil posture overseas. This resulted mainly from discoveries in Nigeria and Turkey, and additional discoveries and the completion of the first phase of our pipeline system in Libya.

Further, we have improved our flexibility through greater diversity in geographical sources and types of crude oil. The variety of types of crude now available to us eases the job of meeting product requirements that vary widely both in quantity and quality, from one season to another and from country to country throughout the Free World.

A substantial part of our overseas crude supply is produced in several

Middle East countries by companies in which Mobil has interests. The financial arrangements under which these companies operate were changed as the result of new agreements negotiated with some of those countries in 1964. The effect of the changes was to increase the oil revenues received by the host countries in 1964 by approximately four cents a barrel, with a slightly larger increase scheduled for 1965.

In achieving record earnings in 1964, we got no help from prices; quite the opposite. It was primarily through record physical volumes in every part of the business that we were able to more than offset the effect on earnings of lower product prices both in this country and overseas.

U. S. wholesale prices for gasoline in 1964 reached the lowest levels in 15 years. Product prices in many overseas areas also have been dropping.

To speak of pressures on profits, however, is simply to say that the oil business has problems. It always has had. But there has never been a lack of opportunity for aggressive, resourceful oil companies. One measure of any company is how well it evaluates its opportunities to overcome obstacles. We in Socony Mobil see valid reasons for optimism about the future and promising means of coping with price and other problems.

We foresee rising demand for oil products and chemicals both in this country and abroad, in 1965 and in the decade beyond. Chemicals as a whole will grow faster than oil, and demand for both oil and chemicals will grow faster overseas than in this country.

The *rates* of increase, in percentage terms, may tend to slow down as the bases on which they are calculated grow larger. Yet the absolute volumes represented by the annual growth rates we envisage over the coming decade are very large indeed.

We see opportunities for a company that can capitalize on rising demand through larger, highly selective volumes and tight cost control. The worldwide Mobil organization is set up to handle very large volumes, and has both the experience and the facilities to do so.

One of the most promising opportunities to improve profitability lies in modernizing our U. S. manufacturing operations. This will enable us to capitalize on rising energy demand by transforming larger volumes of hydrocarbons into high-value products at low unit costs.

As a first step, our refinery at Torrance, Calif., is being virtually rebuilt. This will be the largest construction project in Mobil's history. We are well along in planning similar projects for some of our other U. S. refineries.

Chemical operations hold a dual attraction. They offer opportunities for increased profits, through the expansion of our existing business and the achievement of continued growth through self-development arising from an aggressive research program. Chemicals diversify our earnings sources and thus reduce our vulnerability to the price fluctuations and the vagaries of weather inherent in the petroleum business.

A third area of opportunity lies in a continuation of the program that has enabled us to reduce our costs sharply in the past five years. Since competition and supply and demand determine the prices we get for our products, we must continue to reduce our costs in every part of the business if we are to improve our margins.

The fourth of the major opportunities we see is the planning and managing of large investments for greater profitability. The company's capital and exploration outlays in 1964 reached a record $460 million. We expect them to be appreciably higher this year, and to trend still higher throughout the decade ahead.

We intend to derive the maximum return on every dollar of this money, to improve the rate of return on all of our assets. In administering our investment program, we shall cooperate fully with the President's program for improving our country's balance - of - payments position.

Herbert Willetts retired at the end of December after more than 41 years with the company. All of us will long be indebted to him for the outstanding service he rendered. His career spanned a period that saw an almost complete transformation of the oil business. Adaptability to change was one of his hallmarks.

As president of Mobil Oil Company for nearly three years, beginning in January, 1959, Mr. Willetts guided our domestic operations through a difficult time of reorganization. As president of Socony Mobil for a slightly longer period, he made lasting contributions to our worldwide profitability.

Rawleigh Warner, Jr., succeeded Mr. Willetts as president of the corporation at the beginning of this year. Mr. Warner, age 44, was elected to our Board of Directors effective March 1, 1964, after service as president of Mobil International Oil Company and in other important positions.

William P. Tavoulareas, 45, was elected a director effective January 1 of this year. Formerly a vice president of Mobil International and more recently of Socony Mobil, he is now a senior vice president of the corporation and a member of the executive committee. He is responsible for supply, transportation, and Middle East affairs.

Dr. George P. Baker, dean of the Harvard Graduate School of Business, was elected a director in September, 1964. He has held important positions in education, government, the military, and business, with primary stress on the field of transportation.

On behalf of the Board of Directors, I thank employees and shareholders alike for another year of loyal support.

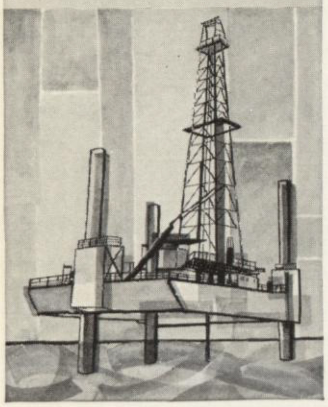
Albert L. Nickerson

Chairman

March 5, 1965.

HIGHLIGHTS OF THE YEAR'S OPERATIONS

EXPLORATION & PRODUCING



Nineteen sixty-four was a good year for Mobil's oil-hunters. They increased production, made important discoveries, and raised reserves of crude oil and natural gas to record levels. Several discoveries abroad are putting the company's overseas operations in better balance.

Worldwide gross crude oil production exceeded a million barrels a day for the first time. Average daily output reached 1,037,000 barrels, an 11% increase over 1963.

Natural gas production, concentrated mainly in North America, rose 21% to 1.9 billion cubic feet a day.

The highlights included:

- The first full year of production in Libya.
- Significant oil finds in Turkey and Nigeria.
- Increased production of crude oil, and more particularly of natural gas, in the United States and Canada.

In Libya, where Mobil has found six oil fields, production for our account averaged 34,000 barrels a day. This oil came from the Hofra Field, where modest production began in late 1963. For most of 1964, crude from this field moved to the Mediterranean through another company's pipeline.

Near the end of the year, Hofra and another field—Ora—received their own link to the coast via a new pipeline and terminal system, in which Mobil has the largest interest. We expect Libyan production for our account in 1965 to more than double the 1964 rate.

Drilling proceeded rapidly on our other concessions in Libya. At the beginning of 1965, the number of producible wells in Amal Field stood at 19. This field now appears to measure at least 21 miles long and 10 miles wide, and its northernmost limits have not yet been defined. We plan to put Amal Field on production in 1966, through a pipeline that will link the field to our terminal at Ras Lanuf.

The discovery of Selmo Field in southeast Turkey appears to rank as the most important any company has made in that country. Mobil completed five producing wells on acreage in which it holds an 80% interest and one on wholly owned adjoining acreage. More drilling is scheduled for 1965.

In October the Selmo Field began producing 5,500 barrels a day of high-quality crude oil. The oil moves by rail and truck to the Mersin refinery, in which Mobil owns a majority interest. Tests indicate that production can be increased when availability of a pipeline makes it economic to do so.

A few miles southeast of Selmo, new reservoirs were found by both the second and third wells drilled in the Silivanka Field, a 1963 discovery.

Utilizing its long experience in the U. S. Gulf of Mexico, where it pioneered offshore activity over 20 years ago, the company found offshore production in two widely separated, 100%-interest ventures abroad—off Nigeria and off the Netherlands.

We brought in oil discoveries on two geological structures off the coast of southeast Nigeria. Four of six wells have been completed as producers, and a number of additional structures await drilling. Nigeria is thus a promising area for continued exploration and development.

Just off the coast of the Netherlands, the company made a gas discovery on Ameland Island. This was one of the first significant discoveries in the North Sea basin off the mainland of the Netherlands.

An 11-company consortium that includes Mobil continues exploratory drilling off the West German coast.

Onshore in Germany, Mobil exploratory wells found oil near Hanover and gas near Munich.

The North Sea basin, stretching hundreds of miles from Germany and the Netherlands to northern Scotland, is one of the most active exploration areas in the world today, for two reasons. One is the large deposits of gas already discovered in the Netherlands. The other is the basin's proximity to the countries of northwest Europe, where energy demand is large and growing rapidly.

In September the United Kingdom granted Mobil production licenses covering 14 blocks on the continental shelf off the east coast of Great Britain. Geophysical surveys have been going on

EXPLORATION & PRODUCING
—CONTINUED

there for two years. The company is now undertaking more detailed seismic surveys on this acreage, and expects to begin drilling in 1966.

An increasingly important crude oil source lies in the Persian Gulf sheikdom of Abu Dhabi, where Mobil has a nearly 12% interest in the producing company. Mobil's share of the first full year's production from the Murban Field there averaged 15,000 barrels daily in 1964.

Other producing companies in which Mobil has interests made important additions to already large reserves in Iran and in Saudi Arabia. Mobil has interests in every major Middle East producing country except Kuwait, where the company has a long-term contract to purchase crude.

Exploration work proceeded in several other areas in the Eastern Hemisphere, including offshore Ethiopia and the Kampar area in central Sumatra, in Indonesia.

In the United States and Canada, gross production of crude oil increased more than 4% to 308,000 barrels daily.

In offshore Louisiana exploratory drilling brought several discoveries of both oil and gas. We still hold 10 blocks that have not been adequately tested. The company is evaluating these blocks as rapidly as geological studies and drilling equipment permit.

A deeper-pool wildcat well made an important gas discovery in West Texas, in the Waha Field. This is north of the Coyanosa Field, a major source of natural gas liquids that Mobil discovered in 1962. At Coyanosa, recovery of gas liquids at the rate of 6,000 barrels a day began in September in a gas-cycling unit in which we have nearly a half interest. We plan to participate in additional gas-cycling facilities in the Waha-Coyanosa area.

We continued to expand secondary recovery programs, notably in West Texas and California, to recover known reserves of oil unobtainable by primary methods. A leader in the use of thermal recovery processes, Mobil now operates the largest project of this kind in the world, in California.

A five-company team including Mobil bid successfully for the right to develop the East Wilmington Field in California, where exploratory drilling indicates the presence of vast oil reserves. This field could become an important new source of supply for our Torrance, Calif., refinery, which we are taking steps to modernize. Further, the field lies in the fastest-growing oil market in the United States, and one in which domestic crude oil is in short supply.

Natural gas reserves and production increased significantly as the result of an exchange of shares of Socony Mobil stock for all of the capital stock of Northern Natural Gas Producing Company. The acreage obtained has large gas reserves, predominantly in Kansas and Texas, and some oil and natural gas liquids reserves, in both the U. S. and Canada. This investment will increase our earnings from production in North America. It also brought us extensive additional exploratory leases in the U. S. and Canada.

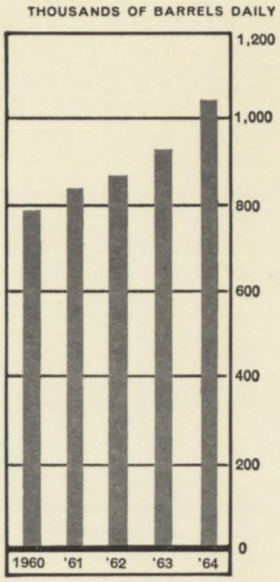
Exploration in North America began or con-

GROSS PRODUCTION OF CRUDE OIL BY MAJOR AREAS

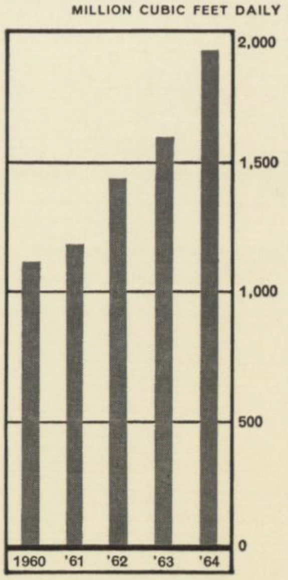
(thousands of barrels daily)

	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955
U. S. and Canada	308	295	287	272	262	264	264	297	295	273
Venezuela	140	131	117	113	117	107	122	113	96	70
Colombia	17	18	19	22	23	20	16	13	13	13
Libya	34	2	—	—	—	—	—	—	—	—
Saudi Arabia	172	162	152	139	125	109	101	99	99	96
Iraq and Qatar	171	160	141	140	135	121	107	69	90	94
Iran	116	101	91	82	73	65	57	50	37	21
Indonesia	28	35	36	36	40	42	39	33	33	36
Other	51	31	29	27	22	21	17	15	12	13
TOTAL	1,037	935	872	831	797	749	723	689	675	616

Mobil tanker loads first cargo of crude moved through new pipeline and terminal in Libya, where production rose substantially.



WORLDWIDE GROSS CRUDE OIL PRODUCTION



WORLDWIDE NATURAL GAS PRODUCTION

(Mainly U.S. and Canada)

tinued in a number of areas where the risk is high but rewards could run correspondingly high. These areas include the coast of North Carolina, the Black Mesa basin of Arizona, offshore Oregon, and the Cook Inlet in Alaska.

Near Rifle, Colo., where Mobil is project manager of a three-year research program aimed at the economic extraction of shale oil, we increased our holdings of high-quality shale lands through the purchase of additional acreage.

TRANSPORTATION

The addition of a record 330,000 deadweight tons in tanker carrying capacity and the completion of two important new pipelines highlighted the increasingly efficient movement of crude oil and products.

The *Mobil Astral* and the *Mobil Daylight* joined the fleet, bringing the number of tankers in the 95,000-ton class to four. The company took delivery also of two 50,000-ton ships, and enlarged two 30,000-ton tankers to 50,000 tons each.

Three 80,000-ton ships of advanced design are under construction, for delivery in 1965.

The large new ships, which are more economical to build and operate than smaller ones, replaced a number of high-cost charters that expired, and two small tankers were sold. Conversion of one 19,000-ton ship, the *Mobil Acme*, to a specialty products carrier increased its value to the fleet. It is now carrying chemicals and solvents, as well as refined oil products.

These and other improvements enabled our foreign fleet to reduce the unit cost of moving oil by nearly 12% below that of 1963. Further cost reductions, in both our U. S. and overseas fleets, are expected in 1965, partly through:

- The automatic monitoring of ship data to pinpoint factors affecting fuel consumption. A "data logger" has been experimentally installed on one ship, and the three 80,000-ton ships scheduled for 1965 delivery will contain similar instrumentation.
- The reduction of turnaround time. Cumulative savings in the time it takes ships to enter port, load or unload cargo, and depart will improve the fleet's total carrying capacity.
- More extensive use of high-durability marine paints and coatings to reduce maintenance costs.

At year end, Socony Mobil and its principal affiliates owned 35 tankers totaling about 1.5 million deadweight tons. An additional 56 tankers under charters exceeding one year aggregated 1.7 million deadweight tons. The average size of tankers owned by Mobil rose from 34,500 deadweight tons in 1963 to 41,400 tons at the end of 1964.

A new pipeline and terminal system went into operation in Libya, enabling the company to move increased volumes of crude from two of the six fields it has discovered in that country. The 175-mile line has an initial capacity of 150,000 barrels daily, which can be expanded to more than 500,000 barrels. Mobil operates the system and holds the largest interest in it.

Also, shipments of products through the new Colonial Pipeline began. The line, which originates on the Texas Gulf Coast and passes through the southeastern United States, now extends to the New York area. Mobil has a 10.5% interest in this common carrier.

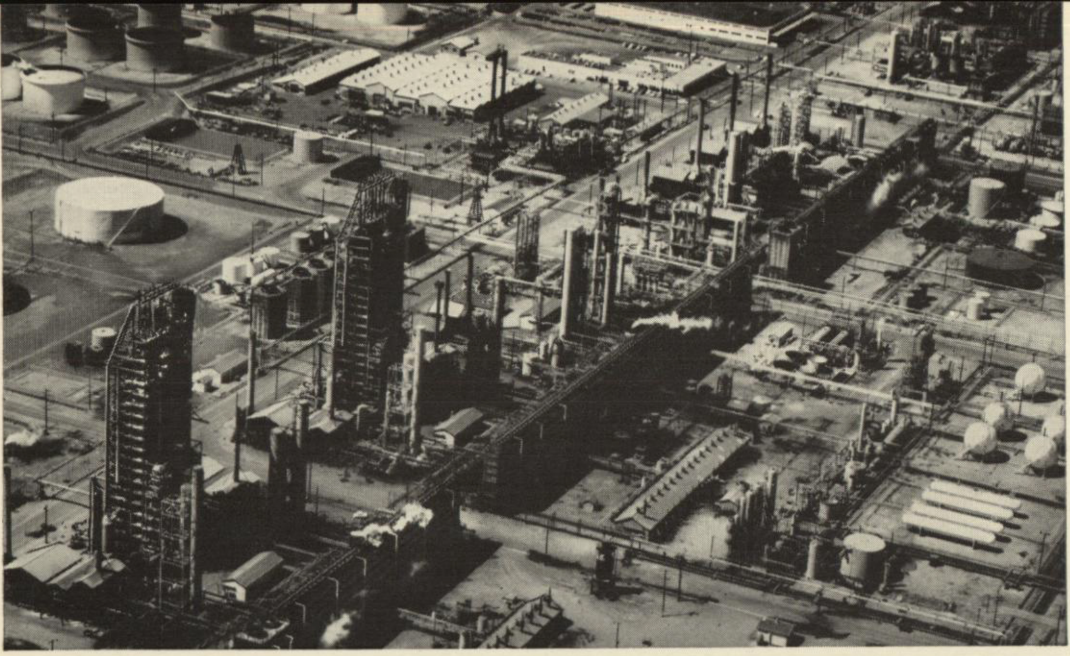
Construction has begun on two other lines in which the company has interests.

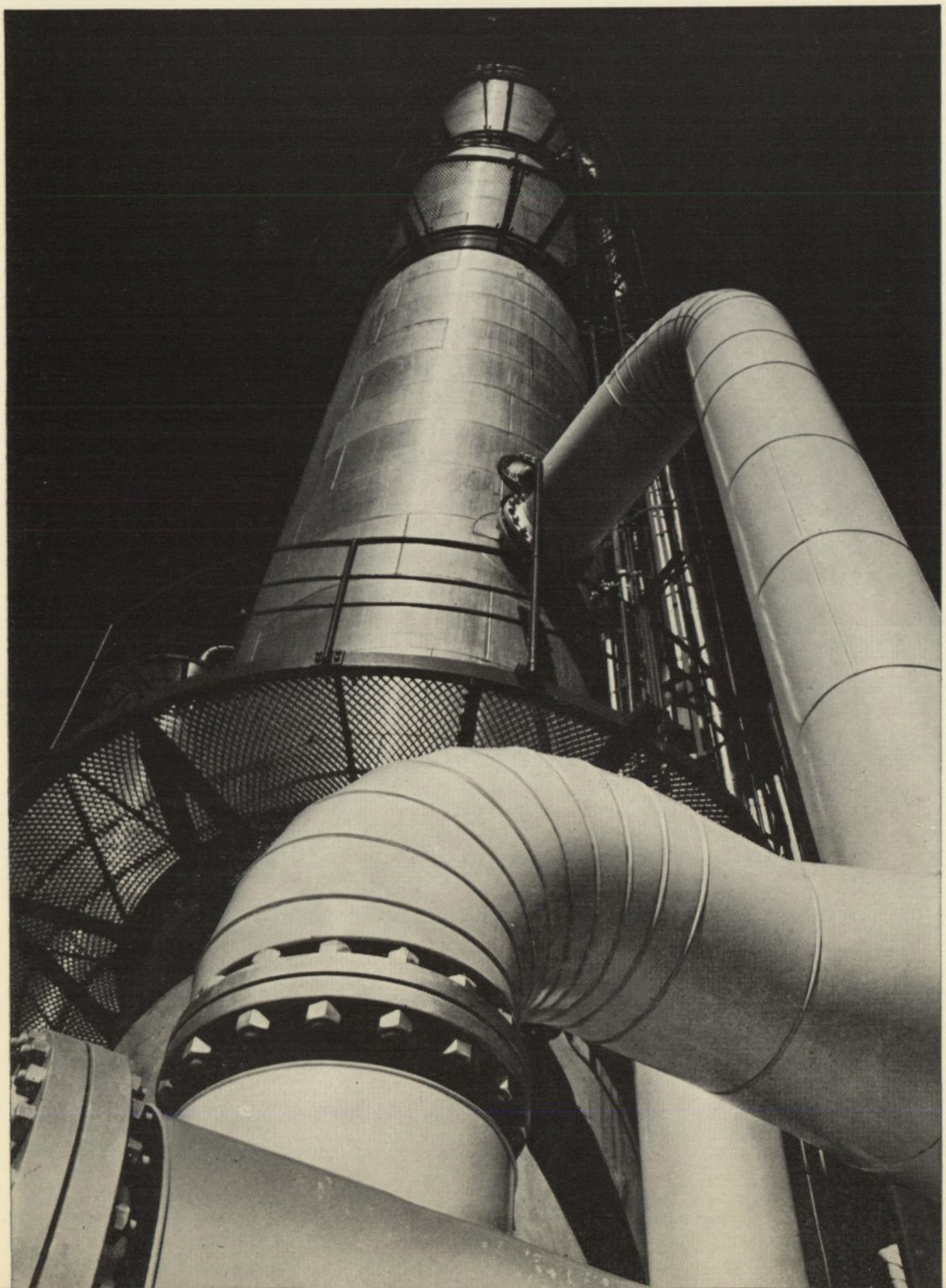
One is the Olympic Pipeline, which will connect with the Ferndale, Wash., refinery and transport products to customers in Seattle and Tacoma, Wash., and Portland, Ore. The company has a one-third interest and will operate the line.

The other is the Trans-Alpine Pipeline, which will carry crude oil from the Adriatic coast to southern Germany. It will provide a new supply link for the recently completed refinery at Neustadt, in which the company has a half interest.

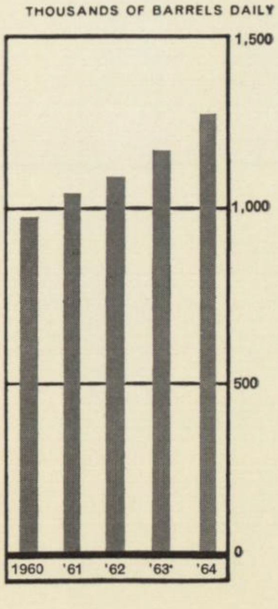
Magnolia Pipe Line Company, our common carrier affiliate in the United States, laid approximately 200 miles of pipelines to new production areas. These lines gather crude oil and natural gas liquids from the Coyanosa Field and from other sources of crude oil in West Texas and New Mexico.

Magnolia continued to cut transportation costs through remote control of its pipelines and the use of a computer in scheduling and dispatching. This affiliate's entire pipeline system will be under remote control by the end of 1965. Subsequent use of the computer to operate the lines will be the final step in this automation effort.



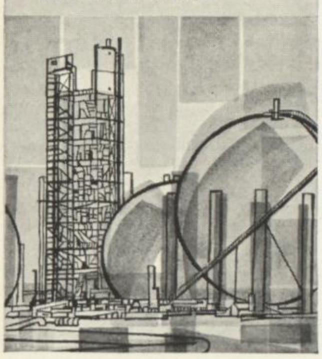


Modernization and expansion of refining facilities help meet rising demand at lower cost. Torrance, Calif., refinery (top) will be virtually rebuilt over next two years. New refinery at Neustadt, West Germany (below), turns out products for fast-growing European markets.



WORLDWIDE REFINERY CRUDE RUNS

REFINING



Worldwide refinery runs of 1,282,000 barrels a day for Mobil's account reflected the largest volume increase ever achieved in one year—up 116,000 barrels daily, or 10%, over 1963.

United States runs averaged 652,000 barrels a day, a 3% increase. The overseas average rose 18% to 630,000 barrels daily, including crude processed for Mobil's account at partly owned refineries and under arrangements with other refineries.

Our U. S. refinery investments in the past five years have been aimed primarily at eliminating bottlenecks and furthering the utilization of existing processing units. We now see opportunities for attractive investments to increase domestic refining efficiency still more.

As the opening step in a major modernization of our U. S. refinery operations, we will initiate in 1965 a virtual rebuilding of the Torrance, Calif., refinery, at a cost of more than $80 million. This will be the largest construction project in the company's history. Upon its completion in early 1967, Mobil will have a stronger competitive position on the West Coast, the fastest-growing market in this country and one in which we have a substantial marketing position.

The installation at Torrance of five new processing units and improvements in existing ones will lead to increased yields of higher-value products at lower costs. Computers and other electronic instruments will coordinate the operation of the various units. This will give more precise control and bring further savings.

When modernized, the Torrance refinery will have an initial capacity of about 100,000 barrels a day.

Elsewhere in the United States, two refineries will add alkylation units in 1965. These units upgrade refinery gases to gasoline.

During 1964 our Beaumont, Tex., refinery put into operation two of the world's largest electronically controlled in-line blenders. These blend gasolines to specifications in refinery pipelines. They provide greater precision and flexibility, and reduce costs by minimizing the storage required for finished gasolines.

In the Free World overseas, where demand for oil is growing faster than in the United States, refinery runs increased by 95,000 barrels a day over 1963 to account for 49% of our worldwide total, as compared with 30% ten years earlier.

The principal emphasis in this part of our business abroad continued to rest on enlarging capacity to meet sharply rising demand, through construction of new refineries or expansion of existing ones.

In Neustadt, West Germany, a half-interest refinery rated at 50,000 barrels a day went on stream. The plant utilizes crude from our new sources in Libya and will serve the fast-growing market of southern Germany.

At Whangarei, New Zealand, operations began at a refinery in which we have a part interest and the right to process about 15,000 barrels a day.

In Rhodesia a 20,000-barrel-a-day refinery in which Mobil holds an interest of almost 18% went on stream in early 1965.

Expansion of the refineries at Naples, Italy, and El Palito, Venezuela, increased the capacity of each by 20,000 barrels a day.

Additional investments will increase capacity in wholly owned refineries in Western Europe by nearly 70,000 barrels a day. These comprise a 50,000-barrel increase at the Gravenchon, France, refinery, expanding its capacity to 72,500 barrels a day, and an 18,000-barrel increase at the Coryton, England, refinery, to 65,000 barrels.

We plan to build an 80,000-barrel-a-day refinery at Amsterdam, the Netherlands, and are considering building a petrochemical plant there to process raw materials from the refinery into basic chemicals for making plastics, synthetic fibers, and other chemical-based products.

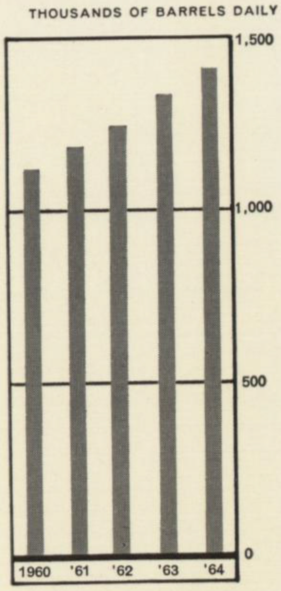
In Japan, throughput capacity of a refinery in which Mobil has a quarter interest and a 50% processing right will rise from 50,000 to 110,000 barrels a day in 1965. In addition, a proposal to build a new plant in which the company will have a half interest has been submitted to the Japanese government for approval.

Construction has begun on a wholly owned refinery in Singapore, scheduled for completion in early 1966. It will have a capacity of 20,000 barrels a day, and will supply products for the expanding markets of Southeast Asia.

In India two lubricant-blending plants went into operation under joint ownership with Indian Oil Corporation Ltd. That company is the exclusive distributor in India for Mobil automotive, industrial, and marine lubricants. The plants, in Bombay and Calcutta, have a total capacity of 600,000 barrels a year.

Sales around the world reached record volumes. Marketers deliver aviation fuel at Hong Kong airport (top). Dealer (below) gives travel advice to motorists at one of 27,000 Mobil service stations in United States.

WORLDWIDE PETROLEUM PRODUCT SALES



MARKETING

Mobil marketers sold larger volumes of petroleum products than ever before. Worldwide sales averaged 1,404,000 barrels a day, an increase of 5.7% over 1963. In the United States and Canada, sales averaged 731,000 barrels daily; in other countries, 673,000 barrels.

Increasingly severe competition, both at home and abroad, drove down prices below even the depressed levels of 1963. In the face of this strong competition, Mobil continued its efforts to increase the profitability of its sales to consumers and commercial markets.

In the United States, we opened 186 new service stations in areas of potentially high volume and profitability, and closed 396 uneconomic outlets.

At year end about 27,000 U. S. service stations were selling Mobil products—13% fewer outlets than five years earlier. During this period, our sales volumes rose substantially.

Larger volumes sold through fewer stations mean lower distribution and other costs for the company and greater profitability for the dealers as a whole.

New Mobil Car Repair Centers were opened in Milwaukee and Los Angeles. A center at Dallas began operating in January, 1965, and one on Long Island will open in the spring of 1965, making a total of five of these unique facilities.

Each center uses electronic equipment to diagnose a car's mechanical condition. Skilled mechanics are available for necessary repairs and adjustments. The centers are furthering Mobil's reputation with motorists for total car-care capability.

Mobil's MI/DAC program continued to win new customers. At the end of 1964, more than 200 U. S. industrial plants—double the total of a year earlier—had adopted the program for computerized control of maintenance and lubrication. Some 66 truck fleets have installed a MI/DAC program—including Mobil's own fleet of trucks and transports.

Good marketing programs travel well in an organization of Mobil's scope and flexibility. MI/DAC is a case in point. An interchange of experience enabled us to introduce the program in Europe and Japan during the year, where it was adopted by 19 large industrial plants.

Additions to the Mobilmet line of cutting oils have enhanced the company's position as a supplier to the metalworking industry throughout the Free World. The new products incorporate additives that Mobil scientists developed and patented. With its extended products line, Mobil now offers the broadest range of metalworking products available from a single supplier.

The company introduced another new product, Mobil-Kote, for coating dairy and other types of food packages.

The Mobil Travel Guide achieved a new sales record of more than 900,000 copies in 1964. In 1965 the series will expand to include a seventh volume, covering six southeastern states. The books' impartial ratings will then cover more than 20,000 hotels, motels, and restaurants in the 48 mainland states.

In 1965 travel-information facilities will be established at several thousand U. S. Mobil service stations to further assist motorists seeking advice on the road or planning a trip.

More than 3,250,000 people—mostly young adults, an age group particularly influential in the market—visited the Mobil Pavilion at the New York World's Fair. When the Fair reopens in April, 1965, visitors will again test their skills in simulated driving conditions encountered on the Mobil Economy Run.

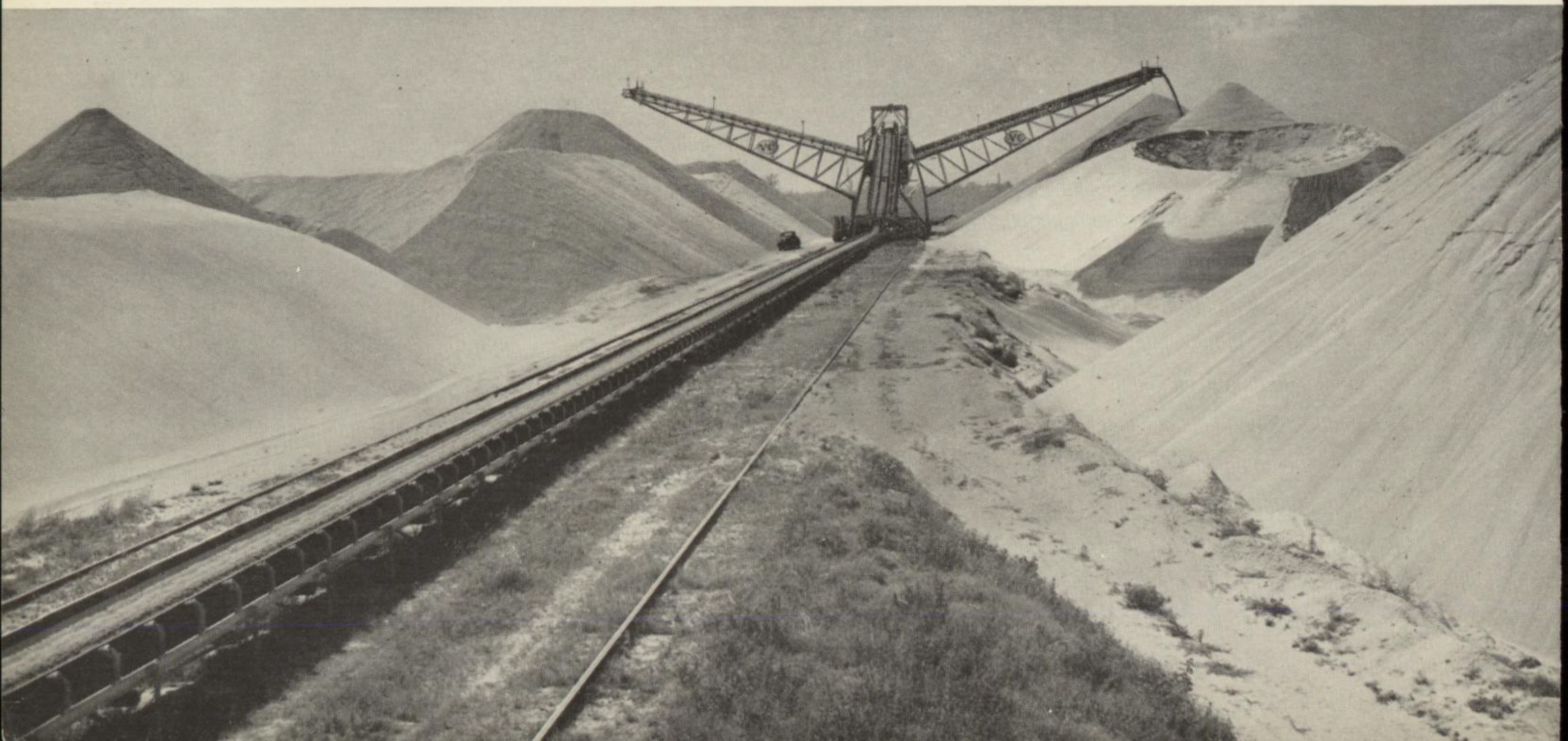
Petroleum demand in the Free World overseas grew at a rate three to four times that in the United States.

In Europe, more than 300 Mobil service stations opened—many of them of new, experimental designs. Mobil Oil Italiana began marketing in Sicily, through a chain of service stations. This affiliate has inaugurated a new touring-information service, which affiliates in countries bordering Italy are testing.

Industrial and commercial sales have grown generally throughout Europe. During 1964 a new line of Delvac automotive diesel lubricants went on sale.

In northern Europe, sales of light fuel oils for home heating continued their upward trend. We expect this rapidly expanding market to produce higher income from increased sales of middle distillates.

Sales of liquefied petroleum gas continued to rise in southern Europe, particularly in Portugal and Greece, and also in Hong Kong, Japan, *Growth in chemicals continues. New units go on stream at Naples, Italy (top), while mining operations in Florida (below) produce phosphate for chemical fertilizers.*



and South Africa. LPG went on the market in Turkey, Puerto Rico, Australia, Luzon in the Philippines, and in Fiji and other South Pacific islands.

We continued to re-establish marketing activities in some of the areas where we did not receive assets of the former Standard-Vacuum Oil Company.

On Luzon, 20 more new Mobil service stations opened as part of an accelerated station-building program on this largest of the Philippine Islands.

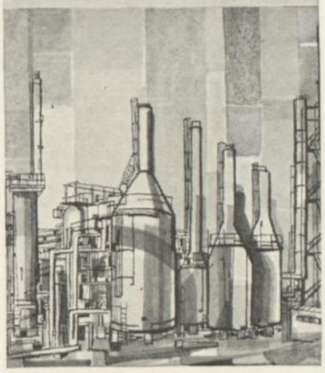
Service station construction got under way in Malaysia, where a wholly owned new refinery is scheduled for completion early in 1966.

Mobil aviation fuels and lubricants are now available at over 500 airports in 55 countries and are used by the majority of the world's airlines. Mobil Jet Oil II, a new synthetic lubricant, became the first jet engine oil of its type to be approved by the U. S. Government for use in its advanced jet aircraft. This product has established an excellent performance record in commercial aircraft as well.

Our marine lubricants are now available at 450 ports. The introduction of Mobilgard 504, a new lubricant for marine diesel engines, further strengthens our position as the leading supplier of lubricants to the deep-sea fleets of the world.

The company now offers worldwide bunker fuel service at 274 ports, our all-time high.

CHEMICALS



Mobil Chemical Company, the division responsible for Socony Mobil's now substantial and growing chemical interests, increased its sales to over $300 million, more than 25% over the previous year. Its contribution to corporate earnings also increased.

Construction of a plant that will be an important addition to the chemical complex at Beaumont, Tex., began at year end. The world's largest single facility of its kind, the plant will make high-purity terephthalic acid. This chemical, known as TPA, goes into the manufacture of polyester fibers and films for such products as apparel, packaging materials, and tire cord. The plant is scheduled for completion at the end of 1965.

The principal chemical facilities at Beaumont, which manufacture ethylene, benzene, propylene, and butadiene, continued to operate at capacity.

The new aromatics plant at Naples, Italy, completed its first year of operation. The plant makes cyclohexane, paraxylene, benzene, toluene, and ethylbenzene, which go into the manufacture of such products as plastics, synthetic rubber, and synthetic fibers.

In Japan a chemical affiliate of Toa Nenryo Kogyo K.K., in which Mobil holds a quarter interest, is expanding its facilities for making ethylene, propylene, and butadiene to meet the fast-growing needs of the Japanese economy.

V-C Chemical Company, Mobil Chemical's agricultural chemical division, substantially increased its phosphate-mining capacity in central Florida. It opened a large new mining area in that state, and put a $2 million dragline into operation. The machine can remove 50 tons of material with a single scoop of its bucket.

At Mt. Pleasant, Tenn., V-C commissioned a $4 million furnace that doubled its capacity for making elemental phosphorus. Part of the furnace's output will go to a phosphoric acid plant V-C is building near Gary, Ind. Makers of pharmaceuticals, soft drinks, cleaning and polishing products, and water-treating materials will utilize the 30,000 to 40,000 tons of acid the Gary plant will produce each year.

A novel Farm Service Center, offering under one roof many of the products and services needed by farmers, was opened by V-C in Iowa. The center includes a custom-mix fertilizer plant, bulk fertilizer spreading equipment, liquid nitrogen storage and distribution facilities, feed grinding and mixing equipment, and bulk feed storage.

This ultra-modern version of the rural general store also sells such Mobil products as plastic films and containers, paints, and fuels, lubricants, tires, and accessories. Additional Farm Service Centers will be opened elsewhere in the farm belt in 1965.

On Taiwan a plant that produces ammonia and urea for subsequent manufacture into fertilizers completed its first full year of operation. Mobil's interest is 35%.

The tempo of Mobil Chemical's participation in the widening world of plastics quickened during 1964. Kordite Corporation introduced an

Mobil scientist studies electrical properties of solid catalysts as part of continuous research on refining techniques.

improved bread-packaging film and an improved meat-wrap film. In addition, Kordite developed and began marketing a new process for printing on polyethylene film used in packaging bakery goods.

We began construction of a plant in upstate New York to manufacture rigid polystyrene foam sheeting. This sheeting holds the potential of competing with paper for consumer and packaging uses in the United States and abroad.

Mobil also stepped up its plastics operations overseas. In Taiwan we acquired a 51% interest in the Tai Ta Chemical Company, Ltd., a manufacturer of urea formaldehyde adhesives for the plywood industry. New facilities being added will enable the company to make injection-molded polystyrene housewares, as well as phenol formaldehyde molding powders used in making such articles as telephones.

A polystyrene plant is scheduled to go on stream in mid-1965 in the United Kingdom, marking our entry into plastic resin production.

We expanded our worldwide paint and chemical coatings business, partly through the purchase of a well-known Dutch manufacturer specializing in marine and heavy-duty maintenance paints.

Also, Mobil increased to 100% its interest in a paint firm in Bogota, Colombia. In Canada a wholly owned affiliate began building a multiproduct manufacturing plant in the Toronto area.

Mobil Chemical intensified research in such varied fields as petrochemicals, polymers, agricultural chemicals, paints, chemical coatings, and plastics. To facilitate this work, expansion began on our principal chemical research laboratory, at Metuchen, N. J.

Construction got underway also on an agricultural development center near Richmond, Va., to advance the work of V-C Chemical in agricultural chemistry. This facility will further enlarge the scope of Mobil Chemical's broad-based international research and development effort.

RESEARCH

Mobil research activity in 1964 ranged from initiation of a major program aimed at the economic extraction of shale oil to introduction of new products and better ways of finding, recovering, and refining natural petroleum. The scientists also continued to explore leads to help maintain the company's pre-eminence in research.

The shale oil research program, at Rifle, Colo., marks one of the most intensive steps in Mobil's long-time study of nonconventional sources of oil. This effort seeks to recover shale oil economically from the vast reserves locked in the western slope of the Rocky Mountains. Five other oil companies and the Colorado School of Mines Research Foundation, Inc. have joined in this program, with Mobil as project manager. The companies will share the estimated $5 million research cost.

The work is proceeding in leased facilities at the government's shale oil research center, which had been idle since 1956. A decision on whether to initiate commercial production of shale oil will depend on the results of the three-year program of research.

The company also carried out experiments in recovery of oil from the extensive Athabasca tar sands in Alberta, Canada. The tar in these sands will not flow unless heated. We are studying the use of controlled subterranean fire as a practical means of recovering tar deposits too deep for mining.

Our scientists and engineers made a number of important contributions to oil refining.

These include the development of Durabead 6, an improved zeolite catalyst, for use in the company's Thermofor Catalytic Cracking (TCC) process. In commercial tests this catalyst proved superior even to Durabead 5, the super-selective catalyst which Mobil also developed and has put into extensive commercial use.

The new catalyst has two advantages in refining. First, it increases the yield of high-octane gasoline from a given amount of oil. Second, it substantially boosts the total amount of oil that can be converted to gasoline each day in a TCC unit, thus further increasing our gasoline-making capacity without additional capital investment.

Mobil scientists also developed a superior cracking catalyst in powder form for use in fluid catalytic cracking, a method many companies use to convert oil to gasoline. The new fluid catalyst, which is similar to Durabead 5 in effectiveness and chemical composition, is performing very well in commercial tests. It is expected to broaden the market for Mobil's cracking catalysts.

Our scientists also found techniques that significantly improve yields from low-pressure reforming, a special refining process that now produces high-octane gasoline and aromatic chemicals in our refinery at Naples, Italy. Mobil refiners will apply these new techniques to units planned for refineries in the United States, Europe, Japan, and Australia.

Product developments during the year included new or improved cylinder oils, cutting fluids, hydraulic oils, truck and bus engine oils, and farm tractor lubricants. Research also produced a briquette made from petroleum coke, a refinery by-product, for use as frost protection in citrus and other orchards.

Three major innovations highlighted research efforts in oil exploration and producing.

One is an improved method of defining deep structures, beneath the ocean floor, that may contain oil or gas. Standard seismic methods of exploration employ explosions that bounce sound waves off underground formations to determine their shape, depth, and other characteristics. These standard methods have proved deficient offshore, because the water distorts the sound waves and prevents accurate identification of the structures.

Our scientists worked out a way to remove this distortion through the use of very fast digital computers and modern concepts of information theory. Mobil oil-hunters are applying the method to their work in the Gulf of Mexico and other offshore areas around the world.

The second innovation is a unique "biological compass" that can point to some types of potentially oil-bearing reservoirs in ancient organic reefs and sand bars. This tool makes use of the number, type, and distribution of certain marine microfossils buried in rock.

The third development is a new tool to cut the costs of building multiphase pipelines—those that transport oil and gas simultaneously. This tool, a mathematical model of flow in a pipeline, can predict a line's performance before construction. Recently the technique played an important role in the design of a multimillion-dollar system to transport oil and gas from wells off the coast of Louisiana.

Scientists conducting long-range, fundamental research continued to produce findings that deepen understanding of phenomena underlying oil and chemical processes. They also discovered many promising leads to new research areas, some of which eventually may contribute to increased earnings. Developments from this program in 1964 included:

- The discovery of a method of preparing a special oil that combines outstanding lubrication properties with extraordinary resistance to deterioration due to high temperature. This type of oil may prove particularly useful in supersonic jet engines and other very demanding applications.

- A new device that permits precise measurement of electron behavior in solid catalysts. This is helping our scientists gain increased understanding of the complex chemical and physical interactions involved in catalytic processing of petroleum and chemicals.

- Advances in basic knowledge of the behavior of extremely hot ionized gases, known as plasmas. These are sometimes called the "fourth state of matter," to distinguish them from solids, liquids, and ordinary gases. Socony Mobil has been awarded a contract by the U. S. Air Force to carry out a special program of research into plasmas.

FOR THE BOARD OF DIRECTORS

Albert L. Nickerson
CHAIRMAN

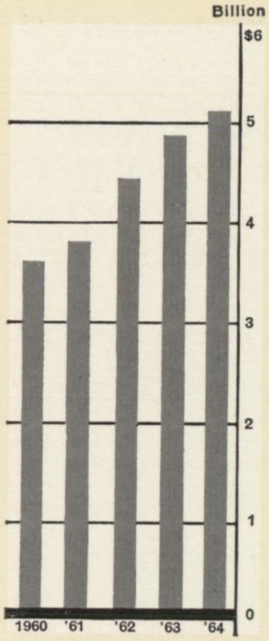
Rawleigh Warner Jr.
PRESIDENT

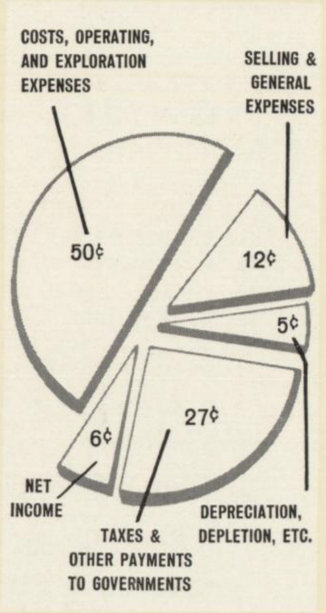
5-YEAR FINANCIAL AND OPERATING DATA

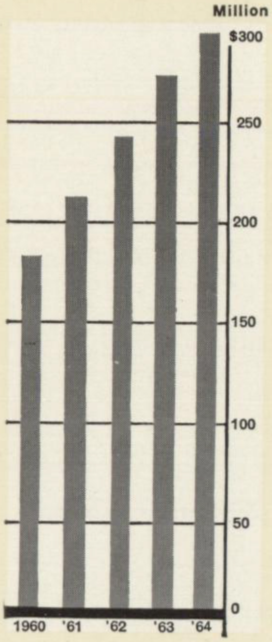
FINANCIAL (in thousands, except per-share data)	1964	1963	1962	1961	1960
Revenues	$5,078,641	4,914,566	4,445,987	3,802,124	3,645,666
Net income	$ 294,160	271,852	242,339	211,319	182,610
Per share (based on average shares outstanding)	$ 5.79	5.44	4.98	4.35	3.76
Cash dividends on Socony Mobil capital stock	$ 141,104	126,845	114,392	109,383	97,183
Per share	$ 2.80	2.60	2.35	2.25	2.00
Capital and exploration outlays	$ 460,207	396,640	453,854	362,369	320,111
Current assets	$1,908,827	1,883,725	1,489,811	1,308,049	1,259,308
Current liabilities	$ 967,658	902,418	775,474	585,034	526,797
Working capital	$ 941,169	981,307	714,337	723,015	732,511
Net properties, plants, and equipment	$2,492,867	2,349,033	2,253,124	1,938,587	1,870,498
Long-term debt	$ 419,140	428,159	228,179	167,518	168,214
Shareholders' equity	$3,324,729	3,156,558	2,963,971	2,709,401	2,605,902
Per share (based on shares outstanding at end of year)	$ 65.42	63.13	60.83	55.72	53.62
SHAREHOLDERS AND EMPLOYEES (end of year)					
Number of shareholders	211,000	212,200	218,900	227,300	234,300
Number of shares outstanding	50,825,000	50,000,000	48,729,000	48,627,000	48,601,000
Number of employees	80,000	79,700	74,900	63,700	65,600
OPERATING (barrels daily, except natural gas production)					
Gross crude oil production – worldwide	1,037,000	935,000	872,000	831,000	797,000
U. S. and Canada	308,000	295,000	287,000	272,000	262,000
All other countries	729,000	640,000	585,000	559,000	535,000
Natural gas liquids production – worldwide	39,000	36,000	29,000	30,000	26,000
Natural gas production – worldwide (thousands of cubic feet daily)	1,924,000	1,588,000	1,433,000	1,181,000	1,106,000
Refinery crude runs – worldwide	1,282,000	1,166,000	1,082,000	1,041,000	981,000
United States	652,000	631,000	601,000	590,000	572,000
All other countries	630,000	535,000	481,000	451,000	409,000
Petroleum product sales – worldwide	1,404,000	1,328,000	1,246,000	1,188,000	1,129,000
U. S. and Canada	731,000	711,000	671,000	664,000	653,000
All other countries	673,000	617,000	575,000	524,000	476,000

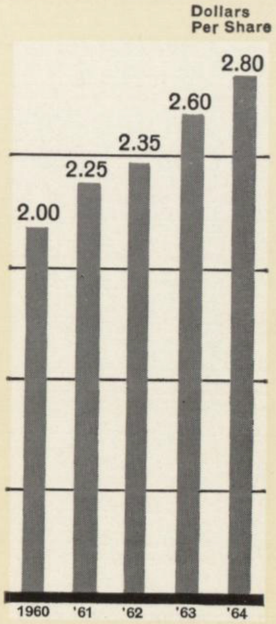
The financial and operating data give effect to the division of Standard-Vacuum Oil Company from 1962 and the poolings of interests with Virginia-Carolina Chemical Corporation from 1963, and Northern Natural Gas Producing Company from 1964. Operating statistics include the company's interest in the operations of non-consolidated companies.

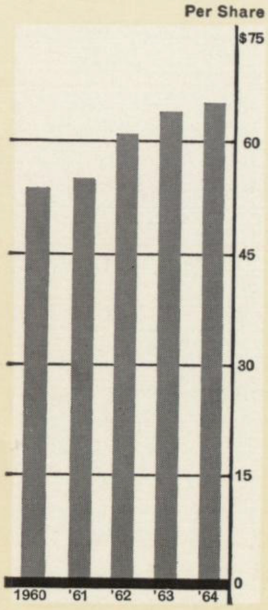
Detailed data on the company are contained in a separate report, 1964 Financial and Operating Statistics. Copies may be obtained from the Secretary, Socony Mobil Oil Company, Inc., Room 2500, 150 East 42nd Street, New York, N.Y. 10017.

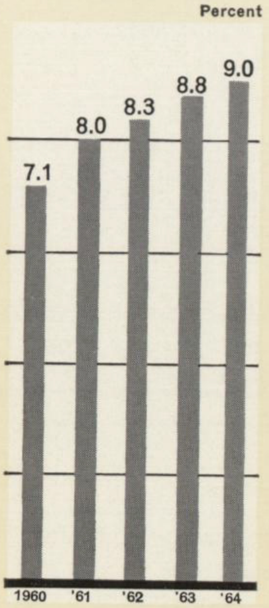

TOTAL REVENUES


WHERE MOBIL'S 1964 REVENUE DOLLAR WENT


NET INCOME


CASH DIVIDENDS


SHAREHOLDERS' EQUITY


RETURN ON AVERAGE EQUITY

EARNINGS, DIVIDENDS, AND EQUITY

Consolidated net income in 1964 rose to a new high of $294.2 million, an increase of 8.2% over the previous high of $271.9 million earned in 1963. Earnings per share amounted to a record $5.79 in 1964, compared with $5.44 in the preceding year, based on the average number of shares outstanding in each year—50,824,539 during 1964 and 49,964,827 during 1963.

Cash dividends paid to stockholders in 1964 totaled $2.80 per share, compared with $2.60 per share in 1963. Total cash dividends paid in 1964 amounted to a record $141.1 million, up $14.3 million over 1963.

Shareholders' equity rose from $63.13 per share at the end of 1963 to $65.42 per share at December 31, 1964. The rate of return on shareholders' average equity increased from 8.8% in 1963 to 9.0% in 1964.

In July, 1964, Socony Mobil exchanged 946,500 newly issued shares of its capital stock for all of the outstanding capital stock of the Northern Natural Gas Producing Company (Northern Natural). For accounting purposes, this transaction was treated as a pooling of interests. Consequently, the financial and operating results of Northern Natural for the entire year 1964 have been included in the consolidated statements. Socony Mobil's results for 1963 have not been restated as the exclusion of Northern Natural for that year has no material effect upon the comparability of the statements.

CAPITAL AND EXPLORATION OUTLAYS

Capital and exploration outlays in 1964 amounted to $460 million, an increase of $63 million over the previous year.

	1964			1963
	U.S. and Canada	Other Countries	Total	Total
	(In millions)			
Capital expenditures:				
Producing	$ 124	$ 40	$ 164	$ 108
Refining	11	34	45	28
Chemicals	20	6	26	45
Marketing	38	66	104	87
Marine	1	18	19	44
Other	9	15	24	11
	203	179	382	323
Exploration expenses, including non-productive wells	53	25	78	74
	$ 256	$ 204	$ 460	$ 397

The rise in exploration and producing outlays stemmed principally from the acquisition of oil lands and leases in the United States, the construction of a crude oil pipeline and ocean terminal in Libya, and increased drilling programs in the United States, the Netherlands, and Nigeria. Refinery expenditures were higher, mainly to provide expanded facilities for the fast-growing European market. Increased marketing outlays resulted chiefly from our service station building program around the world. Chemical expenditures declined from the substantial outlays made in 1963, which were primarily for paint and coatings facilities. Marine expenditures also declined, following the unusually large outlays made in 1963 for tanker construction.

TAXES AND OTHER PAYMENTS TO GOVERNMENTS

Taxes and other payments to federal, state, and local governments in the United States and to governments in other countries increased $70 million over 1963.

	1964	1963
	(In millions)	
Excise and state gasoline taxes	$ 482	$ 468
Import duties	620	574
Income taxes—United States and other countries	171	166
Property, production, payroll, and other taxes	93	88
	$1,366	$1,296

INVENTORIES

Inventories are valued at cost, which was lower than their aggregate market value at December 31, 1964. Substantially all domestic inventories of crude oil and petroleum products—representing approximately 46% of the worldwide total of all such inventories at December 31, 1964—are valued under the last-in, first-out method. Other inventories are generally valued at average cost.

INVESTMENTS AND LONG-TERM RECEIVABLES

Socony Mobil's principal investments include:

COMPANY	SOCONY MOBIL'S INTEREST
P. T. Stanvac Indonesia	50%
Colombian Petroleum Company	50%
Near East Development Corporation (which owns a 23.75% interest in Iraq Petroleum Company, Ltd. and associated companies)	50%
Arabian American Oil Company	10%
Iranian Consortium	7%

Dividends received from non-consolidated companies (owned 50% or less) exceeded by about $13 million Socony Mobil's equity in the 1964 net income of these companies. Socony Mobil's equity in the net assets of such companies is substantially greater than its investments (less reserves). Reserves applicable to investments and long-term receivables totaled $76 million at year end.

EMPLOYEE BENEFIT PLANS

In the United States, benefit plan payments during 1964 included an eighth annual installment under the Retirement Annuity Plan of $6.9 million for past service costs which are being funded over a period of 20 years.

In other countries, various company-administered, non-funded, non-contributory plans are in effect. In general, the estimated costs of these plans to December 31, 1964, are provided for in the "Reserves for insurance and employee benefits." There are also a few insured or funded plans, other than the Retirement Annuity Plan, under which past service obligations approximate $24 million.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1964, annual rentals of about $49 million were payable on leases which expire more than three years from that date, covering tankers, service stations, office buildings, etc. The company also made substantial commitments, in the normal course of business, for the acquisition or construction of properties, plants, and equipment.

The company has guaranteed obligations of others approximating $60 million. No material losses are anticipated. The company's general counsel is of the opinion that there are no claims or lawsuits against the company not already provided for that are likely to result in ultimate liabilities of material importance in relation to the company's accounts.

INCENTIVE STOCK OPTION PLAN

Under the Incentive Stock Option Plan adopted in 1960, options may be granted to key employees to purchase a maximum of 600,000 shares of capital stock. Each option granted, at 100% of the fair market value of such stock at the time the option is awarded, runs for not more than ten years in the case of "restricted" options granted in prior years, and five years for "qualified" options granted in 1964; they may be exercised in equal annual installments after the first year. Transactions during 1964 are summarized below:

	SHARES UNDER OPTION	SHARES AVAILABLE FOR OPTION
January 1, 1964	396,549	123,657
Options granted at an average price of $84.23	43,550	(43,550)
Options surrendered	(5,419)	5,419
Options exercised at an average price of $39.66	(54,993)	—
December 31, 1964	379,687	85,526
Options exercisable, December 31, 1964, at an average price of $47.69	48,085	

CAPITAL STOCK

Socony Mobil had 75,000,000 shares of $15 par value capital stock authorized at December 31, 1964. A total of 51,031,678 shares had been issued, including 207,163 shares held in treasury. Shares outstanding were 50,824,515, an increase of 824,284 over 1963. This increase resulted from Socony Mobil capital stock issued in exchange for the outstanding capital stock of Northern Natural Gas Producing Company and additional shares issued under the Incentive Stock Option Plan, less an increase in shares held in the treasury.

CAPITAL SURPLUS

Changes in capital surplus were as follows:

	1964	1963
At January 1	$634,616,000	$630,228,000
Adjustments arising from poolings of interests with:		
Virginia-Carolina Chemical Corporation	—	2,578,000
Northern Natural Gas Producing Company	345,000	—
Excess of proceeds over:		
Cost of treasury shares exchanged in acquisitions	211,000	640,000
Par value of shares issued under the Incentive Stock Option Plan	1,356,000	1,170,000
At December 31	$636,528,000	$634,616,000

PRINCIPLES OF CONSOLIDATION

All domestic and foreign subsidiaries more than 50% owned have been included in the consolidated financial statements. Appropriate rates of exchange have been used to translate foreign currency amounts into U. S. dollars.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
Socony Mobil Oil Company, Inc.

We have examined the accompanying consolidated balance sheet of Socony Mobil Oil Company, Inc. at December 31, 1964 and the related consolidated statements of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Socony Mobil Oil Company, Inc. and its subsidiaries at December 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
March 5, 1965

Arthur Young & Company

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED DECEMBER 31 1964	1963
REVENUES:		
Sales and services (including excise and state gasoline taxes: 1964—$481,610,000; 1963—$468,343,000)	$4,980,996,000	$4,820,462,000
Dividends and interest	97,645,000	94,104,000
	5,078,641,000	4,914,566,000
COSTS AND EXPENSES:		
Crude oil, products, materials, and operating expenses	2,459,184,000	2,422,347,000
Exploration expenses, including non-productive wells	77,908,000	73,738,000
Selling and general expenses	600,758,000	573,595,000
Depreciation, depletion, and amortization	253,068,000	251,710,000
Interest and debt discount expense	27,615,000	25,502,000
Taxes and other payments to governments	1,365,948,000	1,295,822,000
	4,784,481,000	4,642,714,000
NET INCOME	$ 294,160,000	$ 271,852,000

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

	1964	1963
EARNINGS RETAINED IN THE BUSINESS —beginning of year	$1,773,507,000	$1,602,244,000
Net income	294,160,000	271,852,000
Adjustments arising from poolings of interests with:		
Virginia-Carolina Chemical Corporation	—	27,197,000
Northern Natural Gas Producing Company	11,249,000	—
Cash dividends paid:		
Socony Mobil capital stock	(141,104,000)	(126,845,000)
Virginia-Carolina preferred stock	—	(941,000)
EARNINGS RETAINED IN THE BUSINESS —end of year	$1,937,812,000	$1,773,507,000

See Financial Review on pages 19-20 and statements on page 24.

CONSOLIDATED BALANCE SHEET

ASSETS	1964	1963
CURRENT ASSETS:		
Cash	$ 155,620,000	$ 225,820,000
Marketable securities, at amortized cost (approximating market)	366,673,000	330,188,000
Accounts and notes receivable (less estimated doubtful accounts)	795,544,000	754,162,000
Inventories:		
Crude oil and products	531,711,000	518,964,000
Materials and supplies	59,279,000	54,591,000
TOTAL CURRENT ASSETS	1,908,827,000	1,883,725,000
INVESTMENTS AND LONG-TERM RECEIVABLES (at cost less reserves)	408,108,000	372,606,000
PROPERTIES, PLANTS, AND EQUIPMENT (at cost):		
Producing	2,153,596,000	2,001,897,000
Refining	1,078,773,000	1,040,777,000
Chemicals	249,439,000	224,071,000
Marketing	1,064,244,000	982,374,000
Marine	272,916,000	261,159,000
Pipelines	254,386,000	240,018,000
Other	78,158,000	78,944,000
	5,151,512,000	4,829,240,000
Less accumulated depreciation, depletion, and amortization	2,658,645,000	2,480,207,000
NET PROPERTIES, PLANTS, AND EQUIPMENT	2,492,867,000	2,349,033,000
PREPAID AND DEFERRED CHARGES	69,670,000	54,179,000
TOTAL	$4,879,472,000	$4,659,543,000

See Financial Review on pages 19-20 and statements on page 24.

T DECEMBER 31

LIABILITIES AND SHAREHOLDERS' EQUITY	1964	1963
CURRENT LIABILITIES:		
Accounts and notes payable and accrued liabilities	$ 648,629,000	$ 591,507,000
Income, excise, state gasoline, and other taxes payable	304,680,000	293,242,000
Long-term debt maturing within one year	14,349,000	17,669,000
TOTAL CURRENT LIABILITIES	967,658,000	902,418,000
LONG-TERM DEBT:		
4¼% debentures due 1993	200,000,000	200,000,000
Thirty Year 2½% debentures due June 1, 1976 (less in treasury, including sinking fund requirements: 1964—$18,986,000; 1963—$17,087,000)	58,014,000	61,913,000
Term notes payable (4⅛% due July 1, 1979-1988)	60,000,000	60,000,000
Other (principally 4¼% to 5½%—due 1966-1985)	101,126,000	106,246,000
TOTAL LONG-TERM DEBT	419,140,000	428,159,000
DEFERRED CREDITS	18,981,000	21,807,000
RESERVES FOR INSURANCE AND EMPLOYEE BENEFITS	135,237,000	136,489,000
MINORITY INTEREST IN SUBSIDIARY COMPANIES	13,727,000	14,112,000
SHAREHOLDERS' EQUITY:		
Capital stock	765,475,000	750,453,000
Capital surplus	636,528,000	634,616,000
Earnings retained in the business	1,937,812,000	1,773,507,000
	3,339,815,000	3,158,576,000
Less capital stock held in treasury (at cost)	15,086,000	2,018,000
TOTAL SHAREHOLDERS' EQUITY	3,324,729,000	3,156,558,000
TOTAL	$4,879,472,000	$4,659,543,000

SOURCE AND USE OF FUNDS

	YEAR ENDED DECEMBER 31	
	1964	1963
FUNDS WERE MADE AVAILABLE FROM:		
Net income	$294,160,000	$271,852,000
Depreciation, depletion, and amortization	253,068,000	251,710,000
Miscellaneous non-cash items	12,169,000	19,778,000
Funds provided from operations	559,397,000	543,340,000
Working capital decrease (increase)	40,138,000	(242,743,000)
Other, net	62,000	1,476,000
TOTAL	$599,597,000	$302,073,000
FUNDS WERE USED FOR:		
Capital expenditures	$382,299,000	$322,902,000
Investments and long-term receivables	35,790,000	29,759,000
Cash dividends	141,104,000	127,786,000
Long-term debt decrease (increase)	9,019,000	(183,900,000)
Deferred charges and credits, net	18,317,000	3,991,000
Net increase in treasury stock	13,068,000	1,535,000
TOTAL	$599,597,000	$302,073,000

DISTRIBUTION OF INCOME AND SHAREHOLDERS' EQUITY

	1964		1963	
	TOTAL	PER SHARE	TOTAL	PER SHARE
NET INCOME (year ended December 31):				
United States	$ 120,606,000	$ 2.38	$ 110,833,000	$ 2.22
Other Western Hemisphere	30,583,000	.60	32,093,000	.64
	151,189,000	2.98	142,926,000	2.86
Eastern Hemisphere	142,971,000	2.81	128,926,000	2.58
TOTAL	$ 294,160,000	$ 5.79	$ 271,852,000	$ 5.44
SHAREHOLDERS' EQUITY (year end):				
United States	$1,788,350,000	$35.19	$1,740,218,000	$34.80
Other Western Hemisphere	288,336,000	5.67	240,388,000	4.81
	2,076,686,000	40.86	1,980,606,000	39.61
Eastern Hemisphere	1,248,043,000	24.56	1,175,952,000	23.52
TOTAL	$3,324,729,000	$65.42	$3,156,558,000	$63.13

SOCONY MOBIL OIL COMPANY, INC. AND PRINCIPAL SUBSIDIARIES AND AFFILIATES

THEIR ACTIVITIES AND MAIN AREAS OF OPERATIONS

■ UNITED STATES

Socony Mobil Oil Company, Inc. Exploration, producing, transportation, refining, chemical manufacturing, marketing, and research in the United States.

Kordite Corporation. Manufacturing and marketing of plastics products in the United States.

Magnolia Pipe Line Company. Pipeline transportation in the United States.

Mobil Chemical International Ltd. Worldwide trading and exports of chemical products, and management services regarding chemical operations.

Mobil Finishes Company, Inc. Manufacturing and marketing of paint and coatings products.

Mobil Sales and Supply Corporation. International trading in crude oil and petroleum products, including international marine bunkers, marine lubricants, and aviation fuels.

Northern Natural Gas Producing Company. Exploration and producing in the United States.

Socony Paint Products Company. Manufacturing and marketing of paint products in the United States.

■ CANADA

Mobil Marine Transportation Limited and Subsidiaries. Worldwide marine transportation.

Socony Mobil Oil of Canada, Ltd. Exploration, producing, and marketing in Canada.

South Saskatchewan Pipe Line Company (50%). Pipeline transportation in Canada.

■ LATIN AMERICA

Colombian Petroleum Company and **South American Gulf Oil Company** (50%). Exploration, producing, refining, and pipeline transportation in Colombia.

Colombianos Distribuidores de Combustibles, S. A. (80.06%). Marketing in Colombia.

Mobil Oil Caribe Inc. and Subsidiary. Marketing in Puerto Rico.

Mobil Oil Company del Ecuador. Marketing in Ecuador.

Mobil Oil Company del Peru. Exploration in Peru.

Mobil Oil Company de Venezuela. Exploration, producing, transportation, refining, and marketing in Venezuela.

Mobil Oil de Chile Limitada (50%). Marketing in Chile.

Mobil Oil del Peru (Compania Comercial). Marketing in Peru.

Mobil Oil de Mexico, Sociedad Anonima. Marketing in Mexico.

Mobil Oil do Brasil (Industria e Comercio) Ltda. Marketing in Brazil.

The Barbados Union Oil Company Limited and Subsidiary. Refining and marketing in Barbados, W. I.

■ AFRICA

Central African Petroleum Refineries (Private) Limited (17.75%). Refining in Rhodesia.

Mobil Exploration Nigeria Inc. Exploration in Nigeria.

Mobil Oil Cameroun. Marketing in Cameroun.

Mobil Oil Congo S.C.R.L. (Leopoldville). Marketing in the Republic of the Congo.

Mobil Oil de L'Afrique Equatoriale. Marketing in Equatorial Africa.

Mobil Oil de L'Afrique Occidentale. Marketing in West Africa.

Mobil Oil East Africa Limited. Marketing in East Africa, adjacent islands, and Red Sea area.

Mobil Oil Ghana Limited. Marketing in Ghana.

Mobil Oil Guinee S.A.R.L. Marketing in Guinea.

Mobil Oil Liberia Inc. Marketing in the Republic of Liberia.

Mobil Oil Libya Ltd. Exploration and producing in Libya.

Mobil Oil (Malawi) (Private) Limited. Marketing in Malawi.

Mobil Oil Maroc. Marketing in Morocco.

Mobil Oil Nigeria Limited. Marketing in Nigeria.

Mobil Oil Nord Africaine. Marketing in Algeria and Tunisia.

Mobil Oil Rhodesia (Private) Limited. Marketing in Rhodesia.

Mobil Oil Rwanda-Burundi (S.A.R.L.). Marketing in Rwanda and Burundi.

Mobil Oil Sierra Leone Limited. Marketing in Sierra Leone and Gambia.

Mobil Oil Southern Africa (Proprietary) Limited. Marketing in South and Southwest Africa and Portuguese East Africa.

Mobil Oil Sudan Limited. Marketing in Sudan.

Mobil Oil Zambia Limited. Marketing in Zambia.

Mobil Petroleum Ethiopia Inc. Exploration in Ethiopia.

Mobil Producing Sahara Inc. Exploration and producing in Algeria.

Mobil Refining Company Southern Africa (Proprietary) Limited. Refining in South Africa.

Socony Southern Africa (Proprietary) Limited. Chemical, asphalt, and liquefied petroleum gas marketing in South Africa.

■ EUROPE

ATAS—Anadolu Tasfiyehanesi Anonim Sirketi (56%). Refining in Turkey.

Mobil Chemicals Limited and Subsidiaries. Manufacturing and marketing of plastics and related products for United Kingdom and export markets.

Mobil Chimica Italiana S. p. A. Manufacturing and marketing of basic aromatic petrochemicals for Italian and export markets.

Mobil Exploration Mediterranean Inc. Exploration and producing in Turkey.

Mobil Oil AB Sweden. Marketing in Sweden.

Mobil Oil A/S Norge. Marketing in Norway.

Mobil Oil A. G. in Deutschland. Exploration, producing, refining, and marketing in West Germany and marine transportation.

Mobil Oil Austria A. G. Refining and marketing in Austria.

Mobil Oil Company Limited and Subsidiaries. Refining and marketing in United Kingdom and marketing in Eire.

Mobil Oil Cyprus Limited. Marketing in Cyprus.

Mobil Oil Danmark A/S. Marketing in Denmark, Greenland, and Faroe Islands.

Mobil Oil de Espana S. A. Marketing in Spain and the Balearic Islands.

Mobil Oil Francaise and Subsidiaries. Exploration and producing in Africa, refining in France, marketing in France and North and West Africa, and marine transportation.

Mobil Oil Hellas A. E. Petroleum Company. Marketing in Greece.

Mobil Oil Italiana S.p.A. Refining and marketing in Italy.

Mobiloil N. V. Marketing in the Netherlands, Belgium and Luxembourg.

Mobil Oil OY AB. Marketing in Finland.

Mobil Oil Portuguesa S. A. R. L. Marketing in Portugal, neighboring islands, and Portuguese Africa.

Mobil Oil (Switzerland). Marketing in Switzerland.

Mobil Oil Turk Anonim Sirketi and Subsidiaries. Marketing in Turkey.

Mobil Producing Netherlands Inc. Exploration in North Sea area—offshore the Netherlands.

Mobil Producing North Sea Limited. Exploration and producing in North Sea area —offshore United Kingdom.

Mobil Shipping Company Limited. Worldwide marine transportation.

■ MIDDLE and FAR EAST

Abu Dhabi Petroleum Company Limited (11.875%). Exploration and producing in Abu Dhabi.

Altona Petrochemical Company Proprietary Limited (50%). Petrochemicals manufacturing in Australia.

Arabian American Oil Company (10%). Exploration, producing, and refining in Saudi Arabia.

Bataan Refining Corporation (31%). Refining in the Republic of the Philippines.

Indian Oil Blending Limited (50%). Blending of lubricating oils in India.

Iraq Petroleum Company, Limited and Associated Companies (11.875%). Exploration, producing, and transportation in Iraq, and refining in Lebanon.

Mediterranean Refining Company (50%). Refining in Lebanon.

Mobil China Allied Chemical Industries Ltd. (35%). Manufacturing and marketing of fertilizers in Taiwan.

Mobil Oil Australia Limited and Affiliates. Marketing in Australia, Papua, New Guinea, and Pacific islands.

Mobil Oil Egypt (S. A.). Producing and marketing in Egypt.

Mobil Oil Hong Kong Limited. Petroleum marketing in Hong Kong and Macau.

Mobil Oil Iran Inc. Owner of 7% interest in Iranian Consortium, which is engaged in producing and refining in Iran; purchases and sells Iranian crude oil and refined products.

Mobil Oil Lebanon Inc. Marketing in Middle East.

Mobil Oil Malaya Limited. Marketing in Malaysia.

Mobil Oil New Zealand Limited. Marketing in New Zealand and Cook and Society Islands.

Mobil Oil Philippines Inc. Marketing in the Republic of the Philippines.

Mobil Petroleum Company Inc. and Affiliates. Exploration, producing, transportation, refining, and marketing in Far East, Australia, Asia, and Africa.

Mobil Refining Company Malaysia Limited. Refining in Federation of Malaysia.

Mobil Sekiyu Kabushiki Kaisha. Marketing in Japan.

Petroleum Refineries (Australia) Proprietary Limited (74%). Refining in Australia.

P. T. Stanvac Indonesia (50%). Marketing, exploration, producing, and refining in Indonesia.

Qatar Petroleum Company Limited (11.875%). Exploration and producing in Qatar.

Socony Overseas Oil Company (Kuwait) Limited. Purchases and sales of Kuwait crude oil.

Socony-Vacuum Oil Company of Syria. Marketing in Syria.

The New Zealand Refining Company Limited (19%). Refining in New Zealand.

Toa Nenryo Kogyo Kabushiki Kaisha and Subsidiaries (25%). Refining and petrochemicals manufacturing in Japan.

Trans-Arabian Pipe Line Company (10%). Pipeline transportation from Saudi Arabia to Mediterranean terminal in Lebanon.

At December 31, 1964, all companies were substantially wholly owned except where otherwise indicated by percentage of ownership shown in parentheses.

Mobil

Socony Mobil Oil Company, Inc.
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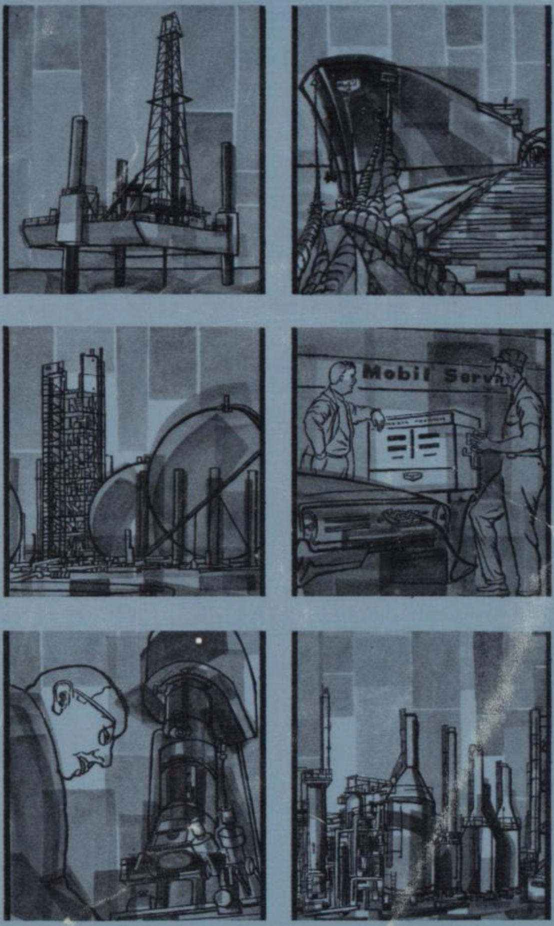

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